

Message Text

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PAGE 01 STATE 111664
ORIGIN COME-00

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
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P R 022013Z MAY 78
FM SECSTATE WASHDC
TO USMISSION GENEVA PRIORITY
AMEMBASSY PARIS PRIORITY
AMEMBASSY ROME PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY THE HAGUE
AMEMBASSY DUBLIN
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AMEMBASSY LUXEMBOURG

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USMTN/BRUSSELS ALSO FOR USEEC

E.O. 11652: N/A
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PAGE 02 STATE 111664

TAGS: ETRD, MTN

SUBJECT: MAY 3 BILATERAL WITH EC ON MEMBER STATES'
NONTARIFF MEASURES

REF: (A) GENEVA 6361 (B) GENEVA 5474

1. IN LINE WITH YOUR REQUESTS FOR GUIDANCE IN SUBJECT BILATERAL (REFTELS), YOU SHOULD DRAW ON THE FOLLOWING INFORMATION.

2. ROAD TAX SYSTEMS (BELGIUM, FRANCE, ITALY, FRG): WE HAVE NOT ADDRESSED A FORMAL MTN REQUEST FOR THE MODIFICATION OF THE DUTCH ROAD TAX SYSTEM BECAUSE DISCUSSIONS WITH DOE OFFICIALS INDICATED THAT WEIGHT-BASED TAX SYSTEMS GENERALLY RESULT IN TAX ASSESSMENTS WHICH BEAR A CLOSE RELATIONSHIP TO FUEL CONSUMPTION. DISCUSSIONS OF THE DUTCH TAX SYSTEM SHOULD THEREFORE BE DISCONTINUED. WITH REGARD TO TAX SYSTEMS MAINTAINED BY REMAINING FOUR EC MEMBERS, U.S. MANUFACTURERS DO NOT ATTACH GREAT PRIORITY TO THEIR MODIFICATION AS IT IS TRUE THAT CURRENT AND FUTURE MODELS OF NORTH AMERICAN-TYPE VEHICLES ARE IMPACTED LESS SEVERELY THAN HAD BEEN TRUE HISTORICALLY. NONETHELESS, YOU SHOULD IMPRESS UPON MEMBER STATE REPS THAT WE ARE NOT SEEKING

ELIMINATION OF THE ROAD TAXES, BUT RATHER A MORE INTERNATIONALLY STANDARDIZED METHOD OF TAXING VEHICLES IN ACCORDANCE WITH THE BEST AVAILABLE FUEL CONSUMPTION CRITERIA. A RESTRUCTURING OF TAXES IN ACCORDANCE WITH THIS PRINCIPLE NEED NOT RESULT IN ANY REDUCTION OF GOVERNMENT TAX REVENUES; IT WOULD, HOWEVER, FURTHER THE CAUSE OF INTERNATIONAL ENERGY CONSERVATION. WE DO NOT FEEL THAT LIMITED OFFICIAL USE

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PAGE 03 STATE 111664

THE U.S. SHOULD BE REQUIRED TO PAY FOR SUCH CHANGES WITH COSTLY RECIPROCAL CONCESSIONS--PARTICULARLY IN VIEW OF THE FACT THAT MANY U.S. MODELS MIGHT ACTUALLY BE SUBJECT TO HIGHER RATES OF TAX UNDER A NEW SYSTEM. IF THE MEMBER STATES ARE AT ALL DISPOSED TO PURSUE DISCUSSIONS OF ROAD TAXES ON THIS BASIS, YOU SHOULD ADVISE THEM THAT WE WILL SHORTLY TRANSMIT TO GENEVA SOME ALTERNATIVE FORMULAE FOR CALCULATING FUEL EFFICIENCIES.

3. NORTH SEA EQUIPMENT CONTRACTS (U.K.): PRESSURES ON U.S. FIRMS HAVE BEEN IMPLICIT AND IT IS POSSIBLE THAT THE U.K. REP MAY MAINTAIN THAT INSTANCES SUCH AS THOSE OUTLINED BELOW RESULT SOLELY FROM THE OVERZEALOUS ATTITUDES OF INDIVIDUAL OIL COMPANIES AND OF U.K. OFFICIALS CHARGED WITH THE PROGRAM'S ADMINISTRATION. WHILE THIS MAY BE TRUE IN PART, YOU SHOULD ADVISE THE U.K. REP THAT WE REGARD THE REPORTING REQUIREMENTS AS THE ROOT CAUSE OF THE OVERALL PROBLEM.

(A) ONE U.S. FIRM WHICH WAS SEEKING TO SUPPLY EQUIPMENT FOR USE ON OFFSHORE PLATFORMS WAS TOLD BY BRITISH PETROLEUM THAT(BECAUSE BP WISHED TO APPEAR IN COMPLIANCE WITH THE

SPIRIT OF THE REPORTING REQUIREMENT) BP WOULD LOOK UPON THE U.S. SUPPLIER WITH GREATER FAVOR IF ITS PRODUCT INCORPORATED MORE BRITISH CONTENT. IN THE WORDS OF A SPOKESMAN FOR THE U.S. COMPANY, THIS INFLUENCE PROVIDED THE "FINAL LITTLE PUSH" BEHIND THE COMPANY'S DECISION TO ESTABLISH A JOINT VENTURE ASSEMBLY OPERATION IN THE U.K. IN ORDER TO BETTER COMPETE FOR CONTRACTS.

(B) IN A RELATED CASE, ANOTHER U.S. EQUIPMENT SUPPLIER HAS TOLD US THAT SEVERAL U.S. OIL FIRMS WITH OPERATIONS IN THE BRITISH NORTH SEA SECTOR HAVE ASKED THE SUPPLIER WHEN IT INTENDS TO ESTABLISH A JOINT VENTURE IN THE U.K. THE OIL FIRMS SUGGESTED THAT IF THIS WERE DONE, THEY WOULD BE IN A MUCH BETTER POSITION TO PURCHASE THE U.S.-TYPE EQUIPMENT LIMITED OFFICIAL USE

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PAGE 04 STATE 111664

THEY PREFER, WHILE STILL SATISFYING HMG'S PRESSURES ON THEM TO "BUY BRITISH".

(C) ANOTHER FACTOR WHICH UNDERLIES OUR CONCERN OVER THE BRITISH REPORTING REQUIREMENTS IS THE EXAMPLE THEY SET FOR OTHER COUNTRIES. AS YOU ARE AWARE, NORWAY RECENTLY ENACTED A REGISTRATION AND REPORTING SYSTEM FOR TENDERS ON NORTH SEA PROJECTS AND HAS ANNOUNCED THAT IT HAS AS ITS GOAL SUPPLYING 60 PERCENT OF OIL FIELD SUPPLIES FROM NORWEGIAN SOURCES.

4. JEWELRY HALLMARKING (U.K., FRANCE, ITALY): OUR BEST SOURCE OF INFORMATION ON HALLMARKING PROBLEMS CONTINUES TO BE ISAC 26 MEMBER FRANKOVICH. WITH REGARD TO THE FRENCH SYSTEM, ISAR 26 REPORTS THAT THE NAPOLEONIC CODE SPECIFIES SIX ENTRY PORTS WHERE ALL GOLD, SILVER AND PLATINUM JEWELRY MUST BE ENTERED. THE 1977 EXPORTERS' ENCYCLOPEDIA ELABORATES ON THIS BY STATING THAT SUCH ARTICLES, EVEN IN A SEMI-MANUFACTURED STATE, ARE REQUIRED BY SPECIAL REGULATIONS TO BE SENT UNDER SEAL AND BOND TO THE BUREAU DE LA GARANTIE IN PARIS TO BE ASSAYED AND STAMPED AFTER CLEARING CUSTOMS. INsofar AS ITALY IS CONCERNED, NEITHER ISAR 26 NOR OTHER SOURCES AVAILABLE TO US CONTAIN INFORMATION ON THE SPECIFICS OF THE ITALIAN REQUIREMENTS OTHER THAN TO SAY THAT ALL MANUFACTURES OF PRECIOUS METALS (PLATINUM, PALLADIUM, GOLD AND SILVER) MUST BE HALLMARKED. WE SUGGEST THAT AMEMBASSIES PARIS AND ROME ARE IN BETTER POSITIONS TO SUPPLY MORE CONCRETE DETAILS ON THE HALLMARKING REQUIREMENTS.

5. PHARMACEUTICALS PATENT PROTECTION (ITALY): WHILE PATENT PROTECTION FOR PHARMACEUTICALS IS THEORETICALLY AVAILABLE AS A RESULT OF ITALIAN CONSTITUTIONAL COURT LIMITED OFFICIAL USE

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PAGE 05 STATE 111664

RULING NO. 20, YOU SHOULD NOT YET DROP THIS ISSUE. PARAGRAPH 3 OF ROME'S 6945 INDICATES THAT THE GOI IS CONSIDERING PROMPT SUBMISSION FOR THE URGENT ENACTMENT OF PARLIAMENT OF SPECIAL DRUG PATENTING LEGISLATION IN ORDER TO PLACE LIMITS ON PATENT PROTECTION THEORETICALLY AVAILABLE. OUR CONCERN IS TO PREVENT ANY ASPECT OF THIS PROPOSED LEGISLATION FROM IMPAIRING FULL PATENT PROTECTION RIGHTS FOR U.S. DRUG PRODUCERS SELLING IN ITALY. YOU SHOULD ALSO INDICATE OUR DESIRE TO SEE PATENT APPLICATIONS PROCESSED IN A MORE EXPEDITIOUS MANNER IN THE FUTURE.

6. "ROTE" LIST (FRG): FOLLOWING AN EXPLANATION OF THE CHARACTER OF THE LIST TO THE PHARMACEUTICAL MANUFACTURERS ASSOCIATION (PMA) REPRESENTATIVE ON ISAC 6, INDUSTRY HAS AGREED THAT "ROTE" LIST PROBLEMS ARE NOT AN APPROPRIATE TOPIC FOR BILATERAL NTM NDWM DISCUSSIONS. ACCORDINGLY, YOU SHOULD NOT PRESS ON THIS ISSUE.

7. MAXIMUM PRICES FOR PHARMACEUTICALS (BELGIUM): REFTEL B REPORTS THAT YOU HAVE REQUESTED FURTHER INFORMATION ON THE DECREE OF DECEMBER 11, 1975 SO THAT WE MIGHT BETTER ASSESS ITS IMPACT WITH OUR ADVISORS. PROVISION OF THIS INFORMATION WOULD STILL BE USEFUL TO US. ON AN INTERIM

BASIS, OUR DISCUSSIONS WITH PMA HAVE REVEALED THAT DESPITE THE POSSIBILITY FOR INCLUSION OF SOME TRANSPORT CHARGES IN THE ESTABLISHMENT OF MAXIMUM PRICES, BELGIAN SYSTEM REMAINS A CONSIDERABLE PROBLEM FOR DRUGS EXPORTED FROM THE U.S. AND FOR THOSE PRODUCED LOCALLY BY U.S. SUBSIDIARIES IN BELGIUM. PMA CITES AS MAJOR PROBLEM FACT THAT PRICES SET DO NOT TAKE REALISTIC ACCOUNT OF TOTAL COSTS OF PRODUCTION, PACKAGING AND DISTRIBUTION AND THAT IT IS THEIR IMPRESSION THAT SOME BELGIAN-OWNED FIRMS ARE ALSO SUFFERING UNDER THE SYSTEM. IN TERMS OF SPECIFIC PHARMACEUTICALS WHERE THE PROBLEM IS EVIDENT, PMA CITES EXISTING PRICES SET FOR ANTIBIOTICS AND PRICES NOW BEING DEVELOPED FOR ANTIARTHRITIC DRUGS.

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PAGE 06 STATE 111664

8. ACTION REQUESTED: DUE TO UNAVAILABILITY OF INFORMATION IN WASHINGTON, AMEMBASSIES PARIS AND ROME ARE REQUESTED TO DEVELOP INFORMATION ON SPECIFICS OF FRENCH AND ITALIAN HALLMARKING REQUIREMENTS FOR JEWELRY. VANCE

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